

MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

*April 24, 2003
3:00 p.m., Hall of Justice,
Police Training Room A*

Members: Present – Brad Korell, Jan Gauger, Russ Bayer,
Carol Brown, Jon Carlson, Bob Hampton,
Dan Marvin, Richard Meginnis, Terry Werner, Otis Young, Larry Zink,
Allan Abbott (non-voting)
Absent – Linda Crump, Jerry Schleich

Others: Kent Morgan, Steve Masters, Randy Hoskins, Roger Figard,
Margaret Remmenga, Michele Abendroth

AGENDA ITEMS DISCUSSION:

1. Welcome - Jan Gauger, Committee Tri-Chair

Ms. Gauger called the meeting to order at 3:10 p.m. and welcomed those present.

2. Meeting Summary Notes - April 10, 2003

Ms. Gauger asked if there were any changes to the "Meeting Summary Notes" from the April 10, 2003 meeting. Mr. Carlson indicated that he felt there was general agreement with a 40 year residential rehabilitation cycle and a 10 year sidewalk rehabilitation cycle and questioned if the minutes should indicate that. Ms. Gauger noted that the minutes indicate such with the statement, as follows: *Ms. Gauger stated that she believes that there is general consensus from the committee that they agree with a policy recommendation on this issue.* With that, Ms. Gauger stated that the minutes would be accepted as written.

3. Public Comment Period

Ms. Gauger asked if there were members of the public present who would like to address the Committee at this time. There were none.

4. Street and Highway Financing - Brad Korell

Mr. Korell updated the Committee on the status of the Finance Work Group. He noted that the last meeting of the Finance Work Group had taken place on April 23rd. He then referred to the document titled *Street, Highway, and Sidewalk Finance Recommendations* and noted the changes which were made since the last review by the Committee. Mr. Korell noted that the work group felt it was important to mention the other sources which were considered but not recommended by the Committee, and thus, were added to the report. They also added a sentence to indicate that

they were trying to solve for a gap of \$225 million. The group also decided to take out the phrase “catch up” in reference to street construction projects. A list of high priority street construction projects was added. The group discussed how often streets should be rehabilitated, but they felt that without a system, it is hard to quantify it. They also added a paragraph to reflect their belief that it is important to allocate \$6 million of G.O. bond proceeds toward sidewalk maintenance. He stated that this report received the support of the work group with a 10 to 1 vote. Mr. Zink also noted that the group decided to add \$3.5 million in the G.O. bond issuance for trails. Mr. Meginnis questioned what the difference between a new and established neighborhood is. Mr. Werner replied that an established neighborhood is any existing neighborhood. There was general consensus that “established” be changed to “existing”.

Mr. Zink raised a point of contention in that highway allocation bonds obligate the full faith and credit without a vote of the citizens. He noted that he would like language to indicate that it is fine to obligate these from a mix of revenue if a reasonable assumption is that revenue is going to meet those bonds without property taxes. There was some discussion at the April 23rd finance meeting that the word “prudent” is sufficient, but he feel that is a very ambiguous term. He proposed wording as such, *“Because highway allocation bonds obligate the full faith and credit of the City without requiring a vote of its citizens, they should not be used to issue bonding in amounts beyond that which could prudently be expected to be retired by reliable revenue sources other than property taxes.”* Mr. Korell stated that the finance group spent a lot of time on this and recapped their discussion. Highway allocation bonds bear full faith and credit of the municipality, so they behave much like G.O. bonds. The consultant and Bill Giovanni basically said that if you are going to take these to market, you have to show a definitive repayment source for those with a margin. You have to have cash flow coverage, as you would on any bonds. In order to get bonds rated and sold, that would be a requirement. The group had identified things like the wheel tax and the occupation fuel tax as those sources for repayments for bonds. The group felt that the word “prudent” indicated that you have a repayment source identified. To the extent that one of those repayment sources did not work, then property taxes would have to be raised to cover that. Mr. Korell also indicated that the finance group did not support Mr. Zink’s suggestion.

Mr. Werner stated that he supports Mr. Zink’s recommendation and asked what happens if the highway allocation bonds are issued and the council does not pass the other recommendations. Mr. Bayer commented that he would personally never overrule a decision of one of the work groups as the groups have spent considerable time and discussions on these issues. Mr. Werner stated that he respects that, but he felt that the work group did not spend much time on this issue. Mr. Carlson stated that he understands the issue after Mr. Korell’s explanation and suggested that wording be added to reflect that explanation. Mr. Zink stated that he feels that there is general confusion on this issue. There are several people on the Finance Work Group who feel that you can do highway allocation bonds based on the money flowing from state and federal gas tax and money that is available on wheel tax and occupation tax. His sense is that you can repay it from these other sources, but they cannot be calculated in the total bonding, but he is certain that there are a number of people on the Finance Work Group who felt that you could take the highway allocation money, the wheel tax and the gas tax money, and that could be your total. Mr. Korell stated that Mr. Giovanni indicated that you can use revenues coming in to repay short term notes. Mr. Zink made the distinction that you can use the revenue, but you cannot add them in to the aggregate amount that you can bond. Ms. Gauger then asked the Committee if they agree with

the wording of the Finance Work Group. All but one member agreed to keep the wording as is.

Mr. Zink also suggested adding a sentence under *Secondary Funding Approach*, as such, “*Slow Phasing of Infrastructure Development to Match Available Financing. As noted by the Cost Savings and Efficiency Work Group, considerable cost savings/deferrals are possible by phasing in the infrastructure improvements called for in the Comprehensive Plan over a longer period of time. In the event that some of the additional fees and taxes outlined in these recommendations are not politically attainable, timely efforts should be made to involve the community in a process to amend the Comprehensive Plan such that it is more consistent with the resources available and yet continues to support reasonable growth needs.*” Ms. Gauger stated that she feels that statement is reasonable, but it seems that it is not the Committee’s job to determine all the things that could go wrong. Mr. Hampton noted that the Finance Work Group discussed this issue at the April 23rd meeting, and it was voted down, because if the bond fails, then we have to go back to the drawing board. Ms. Gauger stated that she feels that this is more appropriate in the concluding remarks. Mr. Abbott clarified that they appear before the Planning Commission next month with the CIP for next year, and they will indicate that this is what you get with the funds available. Mr. Carlson noted that he believes that it is appropriate that this be placed in the report.

In the interest of time, Ms. Gauger questioned if discussions had concluded regarding the Finance Work Group report; the members agreed that discussion had been completed. Upon calling for a vote on the Final Report of the Finance Work Group, all members in attendance voted in favor of accepting the report, with one abstention by Mr. Werner.

Mr. Korell cautioned the Committee to think about what this says about our community. His concern is that either we are open to growth or we are not. He noted that he believes that we need to continue to find ways to finance the growth that is available in the community. Ms. Brown noted that she believes that we must not rob our existing infrastructure to build out. It is not that we do not want to grow, but we do not want to do that at the expense of the existing community. Mr. Korell reminded the Committee to keep in mind that Antelope Valley is a large project within the heart of the City. Mr. Zink responded that he rejects the growth/no growth paradigm; for him, it is how fast we grow. The Comp Plan set out a goal, but he believes there is a fair amount of interpretation in that goal. When you have a shortage of resources, it means phasing that growth relative to the resources available. He believes it is a disservice not to provide that information and the choices available. Mr. Korell noted that there is a difference in philosophy.

5. Stormwater Financing - Brad Korell

Mr. Korell pointed the group’s attention to the spreadsheet on the watershed management division. Mr. Abbott stated that the total funding is \$55.5 million; total funding without G.O. bonds is \$19.5 million. The total gap is \$12.6 million.

Mr. Korell then reviewed the recommendations from the Finance Work Group regarding watershed management. The first recommendation states that the Finance Work Group recognizes that there exists the potential for additional watershed management expenses not included in the present 12 year calculation of revenue sources and uses. Namely, some municipalities are required to treat stormwater runoff, which could impact Lincoln in the future.

Secondly, the Finance Work Group recognizes that the projected stormwater “funding gap” assumes the periodic approval of G.O. bond funding by Lincoln’s electorate, and that such bond approval requests are likely to become larger in dollar value and more frequent than in the recent past. And last, the group supports the concept of a stormwater management utility.

Upon calling for a vote on the *Watershed Management Program, Finance Work Group Recommendations*, all members in attendance voted in favor of accepting the report, with one abstention by Mr. Werner.

6. Parks and Recreation Financing - Brad Korell

Mr. Korell directed the group to the spreadsheet on the Capital Improvement Program for Parks and Recreation Facilities. Mr. Korell noted that total needs are near \$50 million with a gap of \$12 million. The idea of community centers is using space within the schools that serve as extended space for neighborhood activities during the non-school hours. If that would happen, the gap would close by \$6 million. The Finance Work Group has recommended that \$3.5 million for trails rehabilitation be placed in the G.O. bond issue.

Mr. Korell then reviewed the recommendations proposed by the Finance Work Group for the Parks and Recreation Department. First, the Finance Work Group supports the concept of shared community space between the City and Lincoln Public Schools and recommends that funding for these facilities be associated with any G.O. bond proposals for new Lincoln schools that may be home to such facilities. Second, the Finance Work Group supports the establishment and use of development impact fees for the purpose of constructing neighborhood parks and trails in the new growth areas of Lincoln. Third, they reaffirm the greenway and open space concepts expressed in the Comprehensive Plan and support efforts to engage the community in a broad-based dialogue to formulate a funding strategy. And last, as mentioned previously, they recommend that \$3.5 million be added to the G.O. bond issue to support the trail system.

Upon calling for a vote on the *Parks and Recreation Department, Finance Work Group Recommendations*, all members in attendance voted in favor of accepting the report, with one abstention by Mr. Werner.

Mr. Bayer questioned if the committee had formally accepted the Cost Savings and Efficiency final report. With that, Mr. Korell moved to accept the report; all members in attendance voted in favor of accepting the report, with one abstention by Mr. Werner.

The Committee next took a short recess of approximately five minutes.

Mr. Korell then reviewed the document titled, *The Case for Increased Funding*. He stated that this is a case statement and an addition to the finance report. He then reviewed the document titled, *Recommended Implementation Program*. Basically it states that the work group is suggesting that we create a public/private coalition and identify champions to lead the implementation phase. He suggested that the Committee discuss this issue at next week’s meeting.

7. Committee Report Outline and Content - Kent Morgan

Mr. Morgan reviewed the outline for the final committee report. It would include an executive summary, introduction, preamble, a process overview, development and infrastructure assumptions, the finance recommendations, the efficiency recommendations, the legislation recommendations, the implementation approach, and optional items of an appendix and presentation materials. Mr. Werner asked if this would incorporate the spreadsheets that were distributed. Mr. Marvin suggested adding the key working assumptions. Mr. Bayer stated that he does not feel that the assumptions used by Mr. Abbott should be included. Mr. Morgan asked the Committee if they want the Category 5 map included. Mr. Marvin stated that he feels it should be included in the report to let everyone know where the City plans to grow. Mr. Korell stated that he agrees as he sees it as a roadmap. Mr. Meginnis stated that he believes we should allow for some flexibility in development. Mr. Abbott stated that he feels that it should be included as that is how we arrived at the numbers. There was general consensus to include the map in the report.

Mr. Morgan then asked the Committee if they want a Preamble in the report. Mr. Zink stated that there are a number of concerns about the overall process and statement context that he feels are important but have not come out. Mr. Young suggested that Mr. Morgan draft a document for the group's review.

Ms. Brown asked staff if they could provide an example of what these finance strategies would cost an average household with two automobiles. Mr. Abbott stated that he or a staff member would put together some numbers.

Mr. Abbott suggested that the report have an explanation of the sequence of how the work groups have worked, specifically that the finance work group used the recommendations from the cost savings and efficiency work group.

8. List of Discussion Items - Jan Gauger

The Committee then began the review of the *List of Discussion Items for April 24, 2003 Meeting*.

Under *Overarching Policies and General Topics*, item #1, *Community commitment to the Comprehensive Plan phasing program and associated Capital Improvement Program (CIP)*, Mr. Korell stated that he would draft a statement for the Committee's review at the next meeting.

Relative to item #2, *Balancing Factors*, Mr. Carlson stated that he has struggled to figure out if we are spending more money than we need to in order to accommodate the population. He would like the report to show that if there is more land, that translates in to more money. And the reason they are doing this is because there is a policy decision in the Comp Plan that says to do so in order to create competition for the land. Mr. Bayer noted a concern in that he feels this would limit growth to the population increase. Mr. Abbott cautioned the Committee that this should not be interpreted to mean that we should not build a water main, or a storm sewer, or a street for a population that is going to occur in the future. It was agreed upon to have Mr. Morgan make the determination as to the wording and placement of this issue.

Item #3, *Overall Taxes and Fee Increases for Average Family*, has already been discussed

In regard to item #4, *Inflation*, Mr. Zink stated that he understands why inflation was not used

because of the complexity involved, but the reality is that inflation is going to occur on the expense side, but not on the income side. He noted that we need to be very up front about this. There was general agreement that this matter should be represented in the report.

Relative to item #5, *Impact Fees*, Mr. Zink stated that he feels it should be clearly stated that impact fees are a critical component of the overall compromise. Mr. Hampton stated that if impact fees go away, developers are still going to pay through exactions. He does not feel that we need to add a lot of language as impact fees were in the charge. Mr. Meginnis stated that if we add a lot of language about impact fees, politically speaking, it could cause some problems. Ms. Brown stated she agrees with Mr. Zink. Mr. Werner stated that putting this in the report would help the cause. Mr. Korell stated that there is trouble if any of these financing recommendations go away, and he feels that a particular funding source should not be singled out. He suggested making a statement to indicate that if impact fees go away, developers must pay their fair share. Mr. Zink suggested wording to indicate that a similar and proportionate replacement funding source must be found if impact fees go away. There was general agreement with Mr. Zink's suggestion.

Mr. Zink noted that he would like to include a statement in support of the ongoing adjustment of impact fees in relation to inflationary impacts. Ms. Gauger suggested including the wording from the Mayor, as follows: *When impact fees were adopted, it was assumed they would be automatically adjusted annually for construction inflation. The language of the ordinance must be clarified to accomplish this goal. The ordinance does call for a review of the impact fee schedule after five years.* There was general agreement with Ms. Gauger's suggestion.

Mr. Zink stated that when the current 5 year schedule reaches its conclusion, we will be in a situation where the road's impact fee will be roughly 75% of the maximum charge, parks will be 100% of the maximum charge, and water and wastewater will be 33% of the maximum charge. He proposed that water and wastewater continue to increase beyond the current schedule of 12% per year, and after 7 years it would reach roughly the 75% level. This would be an increase of roughly \$2000. Mr. Bayer stated that he is opposed to this. Mr. Hampton also stated that he is opposed as he feels it is too late and the assumptions have already been made. Mr. Bayer stated that the charge was to use the impact fees as outlined and asked Mr. Zink if he feels we have not covered the gap. Mr. Zink stated that he understood that the charge was that impact fees should not be changed for the five year period. Mr. Marvin stated that he is opposed to increasing it over what the Mayor proposed, but added that a statement could be included that this issue will be reviewed in five years. Ms. Gauger then called for a vote regarding Mr. Zink's proposal. A majority of the members in attendance voted against this proposal, with Mr. Zink and Ms. Brown voting in favor, and one abstention by Mr. Werner.

Items #6, *Funding Priorities*, and #7, *Land Use Demand and 1.5% Population Growth Rate Assumption*, have already been covered.

Under *Streets and Highways*, item #1, *Change "catch up" to focus on meeting goals of Long Range Transportation Study*, item #2, *Sidewalks*, item #3, *Street Maintenance*, and item #4, *Highway Allocation Bonds*, have previously been discussed.

In respect to item #5, *Secondary Funding Approach: Phasing of Infrastructure Improvements*,

Mr. Werner suggested eliminating the word slow when referring to growth. Mr. Marvin suggested using wording to indicate that phasing of infrastructure development will match available financing. Mr. Korell stated that he believes it is a mistake to slow down the infrastructure growth. Ms. Gauger noted that she believes Mr. Zink is not saying to slow growth, but rather questions what to do if the money is not there. She stated that the question is whether or not the Committee wants to include this issue in the report. Mr. Bayer suggested that there be a statement in the preamble or conclusion to express that if any element is missing from this puzzle, then the puzzle is not complete, and make the point that if there is not money, then we cannot do things; if there is money, then we can do things. Mr. Werner also suggested adding a statement reflecting the Committee's recognition that growth is important. There was general consensus with these suggestions.

Item #6, "*Concurrency*" (*Constructing arterial streets at the same time as development is occurring*), has been discussed.

Under *Cost Savings and Efficiency*, item #1, *Design Build - DBE's and Small Contractors*), Mr. Hampton stated that he would like to see wording to support the use of local contractors. Mr. Werner noted that it should be based on the lowest bid. It was decided that wording should be added to encourage packaging projects so that small, local contractors are able to compete fairly.

In regard to item #2, *Status of Special Assessment Districts*, and #3, *E.O.'s vs. Special Assessment Districts*, Mr. Hampton stated that the point is that special assessments are a tool that can be used and there is a place for them. Mr. Morgan noted that he hears the Committee saying that if impact fees succeed, they are saying to replace them with special funding districts. Mr. Marvin noted that legally you cannot charge people through an assessment for water and sewer and also charge an impact fee. He questioned if special assessments can be used as a tool to pay for other things. He also added that he believes this is a legislative issue. The Committee concluded that they would like to make a statement to reflect that the City should investigate the use of special funding districts that are not in conflict with impact fees.

In respect to item #4, *Burying Overhead Lines*, Mr. Hampton stated that it is expensive to bury transmission lines and is unrealistic to consider doing that. Mr. Carlson clarified that the Cost Savings and Efficiency work group recommended burying distribution lines.

Relative to item #5, *Sureties for Sidewalks*, Mr. Hampton stated that right now developers have to post escrows for the sidewalks in the entire subdivision when the home buyer puts in the sidewalk. He stated that we have talked about holding that to the certificate of occupancy, and he believes we need to do that. Mr. Bayer noted that the Cost Savings and Efficiency work group felt that this was a responsibility better left as part of the subdivision process so as not to further burden the street construction funding program. Mr. Abbott stated that he feels Mr. Hampton's suggestion is something that should be pursued, but feels that it is not part of the charge here. Mr. Hampton stated that he agreed with Mr. Abbott.

In respect to item #6, *Construction Inspection/Observation Program*, Mr. Zink questioned if this opens problems with potential accountability. Mr. Abbott noted that the intent of the Cost Savings and Efficiency Work Group recommendation was to speed things up by having more decisions made in the field, so it was recommended to give the observers more authority.

In regard to item #7, *Streamlining Platting Process*, Mr. Zink asked what is the implication of the recommendation to streamline the platting process. Mr. Hampton stated that we need to speed up the process. Mr. Meginnis noted that it could be large cost savings.

Respective to item #8, *Traffic Signals*, Mr. Zink asked what this recommendation means. Mr. Bayer stated that the assumption was that there are four traffic signals per mile, but the reality is that there are only two. So it was decided that the cost estimates be based on the reality.

9. Other Business

Mr. Carlson asked what the process is for the final report and stated that he envisions that there will be a statement to indicate that this is just one way to do this. He also asked if there would be something that says what the implications or consequences are.

Mr. Korell stated that Mr. Marvin had called him with a concern regarding the timing of the release of the report. Mr. Korell stated that he had contacted Mayor Wesely who said he was fine with waiting until after the election to release the report.

The next meeting will be Thursday, May 1st at 3:00.

10. Adjournment

Ms. Gauger adjourned the meeting at 6:10 p.m.